

September 30, 1997

PUBLIC UTILITIES COMMISSION  
Rulemaking: Bidding Processes and  
Terms and Conditions for Standard  
Offer Electric Service (Chapter 301)

NOTICE OF RULEMAKING

WELCH, Chairman; NUGENT and HUNT, Commissioners

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**I. INTRODUCTION**

The Maine Legislature has decided that all Maine electricity consumers shall have the right to purchase generation services from competitive providers beginning on March 1, 2000.<sup>1</sup> The Legislature Also recognized that, at least initially, not all customers would want or be able to obtain generation from the competitive market. Accordingly, the legislation has required the availability of "standard offer service."<sup>2</sup> Standard offer service will eliminate the immediate need to select a competitive electricity provider. As the competitive market matures, the commission may reevaluate the need and structure of standard offer service. The Act requires standard offer service to remain available to all electricity consumers at least until March 1, 2005. The Act also encourages the provision of standard offer service by three providers in each of the transmission and distribution utility (T&D utility) service territories if multiple providers do not result in significantly adverse rate impacts.

Section 3212 requires the Commission to adopt rules establishing (1) terms and conditions for standard offer service; and (2) a methodology for the bid process to select a standard offer service provider or providers. The commission will administer the process and select the standard offer service providers. Both rules are "major substantive rules" as defined and governed by 5 M.R.S.A. §§ 8071-8074. The Commission must

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<sup>1</sup> During the 1997 Legislative session, the Maine Legislature enacted P.L. 1597, Chapter 316, "An Act to Restructure the State's Electric Industry," (the Act) codified as Chapter 32 of the Title 35-A (35-A M.R.S.A. §§ 3201-3217).

<sup>2</sup> 35-A M.R.S.A. § 3212 requires the Commission to ensure that "standard offer service,, is available to all electricity consumers.

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adopt both rules "provisionally" by February 15, 1998. We will include both of the rules described in section 3212 in the single chapter (301) proposed in this rulemaking. The Legislature must review the provisional rule and authorize its final adoption either by approving it with or without change or by taking no action. 5 M.R.S.A. § 8072.

In this rulemaking we propose both terms and conditions and the processes for bidding and selection.

## II. THE INQUIRY PROCEEDING

We have conducted an Inquiry in Docket No. 97-519 into the issues that would be present in this rulemaking.<sup>3</sup> We received comments from the Public Advocate; Maine Public Service Company; ENRON; Central Maine Power Company; Bangor Hydro-Electric Company; Members of the Consumer Coalition;<sup>4</sup> Fox Islands Electric Cooperative, Houlton Water Company, Kennebunk Light and Power District, Madison Electric Works, and Van Buren Light and Power District (COU Group); and Maine Association of Interdependent Neighborhoods (MAIN). The comments were constructive in suggesting answers to several detailed policy questions, and in revealing a broad consensus on two general policies that we describe in Part III below.

## III. GENERAL POLICY CONSIDERATIONS

Commenters generally concurred on two important **goals**. First, commenters **agreed** that standard offer **service should** be similar to electric service now available from existing electric utilities. Second, the commenters agreed that the bidding process should be as simple as possible and be designed so that bids may be compared easily and evaluated objectively. Specifically, commenters agreed there should be little or no

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<sup>3</sup> Inquiries are conducted pursuant to the Commission's Rules, Ch. 110, Part 12.

<sup>4</sup> Members of the Consumer Coalition is a subgroup of the Maine Electric Consumers consisting of the following organizations: American Association of Retired Persons, Maine Association of Interdependent Neighborhoods, Maine Community Action Association, Coalition for Sensible Energy, Kennebec Valley Community Action Project, Maine Public Advocate, Penquis Community Action Project, Conservation Law Foundation, and Independent Energy Producers of Maine.

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opportunity to bid using a wide variety of pricing and service approaches. Minimizing the issues that will drive bid selection will reduce the need to compare, for example, a bid with the lowest overall price with a bid that provides greater benefits to a particular customer class. Restricting the extent to which bidders may deviate from a standard also ensures that standard offer service is similar to service currently provided by utilities.

we agree with both of these goals. The proposed terms and conditions would make standard offer service appear to customers to be similar to electric service provided today. The bidding rules are designed to produce standard offer bids that could be compared easily and evaluated objectively by limiting the primary variable to overall price.

#### **IV. DISCUSSION OF INDIVIDUAL SECTIONS**

##### Section 1: General Provisions and Definitions

Subsection A states the scope of the rule. Subsection B contains definitions. Some of the definitions are included in the statute (35-A M.R.S.A. § 3201) and are included in the proposed rule for convenience. Subsection C states the general rule concerning who will receive standard offer service and that standard offer service will be available at least until 2005.

##### Section 2: Rates, Charges and Procedures for Initiating and Terminating Standard Offer Service

Subsection A describes the rate structure for standard offer service. It is designed to resemble closely, from the consumer's perspective, existing bundled electric service. Proposed paragraphs 2 and 3 would require a standard offer provider to use the same rate elements, rate structure and rate design as the transmission and distribution utility. Specifically, paragraph 3 would require standard offer service prices to be set at a uniform percentage of each unbundled generation rate element of the T&D utility; utility bills will be unbundled into a generation price and transmission and distribution price in a future Commission proceeding required by 35-A M.R.S.A. §'3213(1). Our proposal is consistent with all comments received in the Inquiry and with the goals of designing standard offer service to resemble present electric utility service and establishing a bid evaluation criterion of price as the only variable that must be assessed in the bidding process.

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Paragraph 4 addresses the rate design issue that will occur if the Commission decides there should be more than one standard offer provider. Section 3212(2) requires the Commission to "consider methods to ensure, to the extent possible, at least 3 providers of standard offer service in each transmission and distribution utility service territory, as long as the method does not result in a significant adverse impact on rates paid by consumers." The proposed method to assess adverse rate impacts and determine whether to select more than one provider is at section 8(C). Paragraph 4 of section 2(A) states that, if more than one bidder is selected, standard-offer rates shall be equal to the weighted average of the accepted bid rates of the selected standard offer service providers. In this way, all standard offer customers would pay the same rates even if there are multiple standard offer providers.

Paragraph 5 states that there shall be no geographic deaveraging of rates under standard offer service within each T&D utility's service territory. This provision is consistent with the language of 35-A M.R.S.A. § 3212(D) requiring the Commission to retain averaged prices within customer classes.

Subsection B describes three methods by which consumers may become standard offer service customers. In the first two cases, electricity consumers do not take any action to obtain standard offer service. Paragraph 1 describes the process for consumers who, for whatever reason, do not choose to obtain service from a competitive electricity provider on the date that retail competition and standard offer service will begin, March 1, 2000. This paragraph also states that if a consumer has not chosen a competitive electricity provider by February 1, 2000, the consumer will become a standard offer service customer. Subsection C(1) states that a consumer who obtains standard offer service pursuant to subsection C(1) or (2) will remain a standard offer customer until after April 1, 2000. The purpose of this provision is to smooth the transition period and to avoid the administrative problems that will occur if a large number of customers seek to enter the competitive market immediately prior to the March 1, 2000 deadline. If many customers enter the competitive market just prior to February 1, 2000, the proposal should afford T&D utilities sufficient time to process the changes in service. The commission seeks comment on whether this provision is necessary and, if so, whether the time frame is adequate. The Commission welcomes any alternative suggestion to meet the objective of a smooth and orderly transition.

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Paragraph 2 addresses consumers who become customers of the T&D utility after March 1, 2000, and who do not choose a competitive electricity provider.

Paragraph 3 of subsection B describes a consumer who has selected a competitive generation provider and who chooses to return to standard offer service. That return is unrestricted, except for fees to cover administrative costs. Numerous commenters, however, express concern that customers could "game" the system to receive standard offer service at favorable times (e.g., when, on a seasonal basis, competitive market rates might be higher) and to return to the competitive market when rates were lower. Such activity has the potential of raising standard offer prices. That concern is addressed in subsection C(2) and is discussed below.

Subsection C is provided in two alternatives. **Alternative 1** addresses termination of standard offer service for all customers. **Alternative 2** addresses termination of and reentry to standard offer service for smaller customers, defined as those with a demand of less than 50 kW. (If we adopt **Alternative 2**, we would also adopt **Alternative 1**, but limit its applicability to customers with a demand of 50 kW or more.) The first alternative would limit the number of times customers could reenter and exit standard offer service without payment of an opt-out charge. The second alternative would allow smaller customers unlimited entry and exit to standard offer service during the first year, but would subject them to a reentry fee in subsequent years.

Under **subsection C: Alternative 1**, paragraph 1 describes termination of standard offer service by customers who have **never** selected a competitive provider and who have become standard offer service customers by default, or who first became **customers** of both the T&D utility and of standard offer service after **that** date. There is no restriction on leaving standard offer service for those customers other than the payment of approved fees to cover the cost of administering the change in service.

Paragraph 2 of the first alternative governs a customer who has taken service from a competitive provider, has returned to standard offer service and wants to return to a competitive provider. Proposed subsection B(3) provides that the customer's return to standard offer service would be unrestricted, other than for the payment of administrative fees. This provision states that a customer who has returned to standard offer service may leave it without penalty once, but on the second occasion, the customer must either remain as a standard offer customer for

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12 months or pay an "opt-out" charge of one month's bill for that customer if the customer leaves prior to the end of 12 months.

The choice of one month's bill as an opt-out fee is not designed to capture any particular level of cost. Rather, we intend that it serve as a sufficient deterrent to switching in and out of standard offer service to "game" the market. We seek comment on whether some other opt-out fee is more appropriate.

Under **subsection C: Alternative 2**, paragraph 1 governs termination of and reentry to standard offer service by smaller customers during the first year of service. There is no restriction on the number of times smaller customers may exit and reenter standard offer service during that first year except for the payment of approved fees to cover the cost of administering the change in service. The objective is to encourage customers to experiment with the competitive market in year one.

Paragraph 2 of the second alternative governs termination of standard offer service by smaller customers during subsequent years. Under this approach, smaller customers could terminate standard offer service upon notice to the transmission and distribution utility and the payment of approved fees to cover the cost of administering the change in service. No opt-out charge would be applied.

Paragraph 3 of the second alternative governs reentry to standard offer service by smaller customers during subsequent years. In addition to the notice and administrative fee requirements applicable to all entries and exits, smaller customers would pay a reentry fee of \$50.00 for the first reentry and \$100.00 for subsequent reentries. One objective of this approach is to encourage customers to enter the competitive market. We seek comment on the effect of payment upon reentry to standard offer service, as opposed to payment upon exiting and whether the amounts proposed are appropriate to discourage "gaming." We also seek comment on the desirability of a different set of rules for small customers and for large customers, and on whether 50 kW is an appropriate break-point to distinguish between small and large customers.

Commenters are invited to propose other alternatives that comport with the goals of simplicity and encouraging customers to enter the competitive market.

Subsection D of section 2 describes the notice that customers must provide for a transfer of service from or to

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standard offer service, the timing of transfers and administrative fees. Generally, service should be transferred on the date that a customer's meter is scheduled to be read to avoid the costs of prorating a bill or a special meter reading. However, a customer wishing to transfer on a date other than the regularly scheduled meter reading date may request that the T&D utility either prorate the bill or conduct an unscheduled meter reading. For either service, the T&D utility will charge the customer a fee.

Section 3: Qualifications to Provide Standard offer Service; obligations of Standard Offer Providers

Subsection A (Qualifications), paragraph 1 states that standard offer service providers must obtain a license from the Commission pursuant to the requirements of 35-A M.R.S.A. § 3202. Paragraph 2 requires all standard offer providers to be members of the New England Power Pool (NEPOOL). The purpose of NEPOOL membership is to provide evidence that the standard offer providers have standing to participate in the regional market. We solicit comment on whether this requirement is necessary or desirable.

Paragraph 3 of subsection A requires each standard offer provider to post a bond. The purpose of the bond is to provide objective evidence that the standard offer provider has the financial and technical capability to fulfill its obligations and thereby minimize or eliminate any judgment that must be exercised in assessing bidders, qualifications. The bond also provides funds in the event the standard offer provider defaults. The necessary financial protection is the difference between the market price of replacement power (should the market price be higher at the time of a default) and the price established for standard offer service pursuant to the bidding process. Ongoing customer revenues should cover the cost of replacement power up to the established standard offer price. Proposed paragraph 2 states that the bonding requirement (for 1000-. of the standard offer load) shall equal 50% of the accepted bid price, multiplied by the kilowatts or kilowatt hours sold in the T&D utility's service territory for the calendar year prior to the submission of bids. If the Commission selects more than one standard offer provider, the total bonding requirement will be multiplied by each provider's market share.

In selecting 50% of the prior year's equivalent load as the standard, we have taken into account the uncertainties in the amount of the load, the likelihood that the standard offer will

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be in place for more than one year, the risk of market price increases, and our desire to encourage, rather than discourage, prospective bidders. We seek comment on whether the proposal, will result in a bond amount that serves the dual purpose of demonstrating financial and technical capability to provide standard offer service, and providing sufficient funds to offset the cost of replacement energy in the even of default.

We also seek comment on whether there should be a bonding requirement, whether the requirement is likely to increase costs significantly for standard offer customers, and whether there are alternatives that will provide equivalent protection with comparable simplicity and lower cost. If any commenter proposes that we review the financial data of a bidder rather than require a bond, the commenter should suggest a detailed alternative that would allow the Commission to assess financial capability using data or ratios that can be reduced to a relatively simple formula that may be objectively applied. Such a mechanism may take into account such matters as capital structure, total assets, liquidity, the extent of commitments elsewhere and the size of the market to be-served. Commenters are also requested to -discuss whether the rule should contain an alternative allowing the Commission to accept "equivalent security" and, if so, the nature of any such alternative forms. The goal is to develop an objective test of financial and technical capability so that our ultimate determination can be based solely on bid price.

Subsection B contains the obligations of standard offer service providers. Paragraph 1 would require providers to deliver service to the T&D service territory. Paragraph **2 states** that service must be provided on a standard offer load all-requirements basis, including sufficient energy to cover line losses within the T&D system. An all-requirements approach appears to be the most workable and equitable way to define standard offer providers, obligations, especially in light of the possibility of more than one provider within a T&D utility service territory. Because the standard offer provider obligation will be in terms of a specified percentage of the load, the approach reduces administrative complexity by avoiding the need to assign individual customers to standard offer providers, as well as the need to measure or estimate individual customer usage patterns. Defining the obligation in terms of a specified percentage of the load also appears to allow for an accurate means to ensure that no marketing affiliate of a T&-D utility violates the statutory maximum of **200i** of standard offer load contained in 35-A M.R.S.A. § 3212(2)(C).



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Section 4: Credit and Collection; Disconnection and Deposit; Late Payment Charges

Section 4 states that three Commission Rules, Chapters 81 (Residential Utility Service Standards for Credit and Collection Programs), 86 (Disconnection and Deposit Regulations for Non-Residential Utility Service) and 870 (Late Payment Charges, Interest Rates to be Paid on Customer Deposits, and Charges for Returned Checks), shall apply to standard offer service. Those rules now apply to the bundled (generation, transmission and distribution) service offered by electric utilities. The application of these rules to standard offer service is consistent with the goals that standard offer service shall be similar to existing bundled service and that the administration of the service be simple and understandable to customers. For example, there could be confusion if different deposit and disconnection rules applied to standard offer service and T&D service. Commenters generally agree with this approach. Many circumstances and assumptions will be different in emerging competitive utility markets. We will review our credit, collection and disconnection rules in the near future. By operation of this Chapter, any changes to our credit, collection and disconnection rules will apply to standard offer service.

Section 5: Obligations of the Transmission and Distribution utility

Section 5 describes the obligations of the T&D utility. Subsections A and C are self-explanatory. Subsection B requires the T&D utility to perform all metering functions, including meter reading, and to provide a single bill to standard offer service consumers. The bills will separately state charges for generation and for T&D utility service. The bills shall also prominently identify the standard offer providers so that consumers are made aware of the entities that are providing their generation service.

We propose this approach, rather than requiring or allowing the standard offer providers to provide their own billing or metering functions, for several reasons. First, a single bill is convenient and satisfies the goal that changes in the nature of service for standard offer service customers should be minimal. It also reduces customer confusion in that a customer need call only one entity -- the utility -- for all aspects of service. Second, the need to maintain two billing systems (or more, if multiple standard offer providers are chosen) may increase the total cost of service, and prices paid by standard offer

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customers. Third, the T&D utilities already have billing and metering systems and are not likely to incur significant costs in making the changes necessary for standard offer service and for an unbundled bill.

ENRON apparently agrees that there should be a single billing system and that customers should receive only one bill, but argues that billing should be a function of the standard offer providers rather than the T&D utility. ENRON apparently believes that the standard offer providers should handle all meter reading but not meter installation. ENRON states that the purpose of its proposal is "to subject revenue cycle services to competition and to facilitate the information access and transfer needed to accommodate a dynamic competitive electric market.,, We disagree. Replacing one provider of billing and metering services with another provider does not constitute competition, at least absent a process for determining which is the better provider. Replacement of the T&D utility at this time by another provider of billing and metering services can create complexity and confusion, and would constitute a significant departure from the nature of current service.

Section 3202 (4) requires the Commission to adopt rules concerning billing and metering service competition by March 1, 2002. Although the Commission may adopt these rules earlier, the Legislature anticipated that competitive billing and metering need not be addressed prior to the commencement of competitive generation service or that it should take precedence over matters such as assuring that reasonable standard offer service is available. When we consider billing and meter competition, we will review whether alternative providers of billing and metering services might be appropriate for the standard offer.

Subsection D requires T&D utilities to propose, and the Commission to approve, a standard form contract that will address details governed by this rulemaking. We will provide an opportunity to comment on the proposed contracts.

Subsection F contains provisions intended to ensure that affiliates of large T&D utilities (which cannot provide a bid for more than 20% of the load within the affiliated T&D utility's service territory) do not provide generation for a higher percentage of the load than the amount awarded pursuant to the selection process.

Section 6: Information Provided by Transmission and  
Distribution Utilities to Potential Bidders

Proposed section 6 would govern the T&D utilities, provision of customer usage and credit information to standard offer bidders. Consistent with 35-A M.R.S.A. § 3212(2), the proposed rule would allow T&D utilities to recover the costs of providing this information in their rates. The utilities would provide the information on an aggregate customer class basis, avoiding the need for confidentiality protections that arise with the release of individual customer information. We seek comment on whether this provision is sufficient to deal with confidentiality issues for classes that have only a small number of customers.

The proposed rule is intended to avoid any unfair advantages within the bid process by requiring the information disclosed to be standard, based on a historic period, and provided to all bidders at the same time. The rule would require T&D utilities to comply with all restrictions under 35-A M.R.S.A. §§ 3205, 3206 and 3207 on communications with their marketing affiliate. Utility affiliate personnel (or utility personnel in the case of a consumer-owned utility) would not use any information in preparing their standard offer bids that has not been provided to all standard offer bidders. Finally, the Commission will conduct a proceeding to determine the scope and format of the information that utilities would provide to bidders in a way that is consistent and of most use to potential bidders.

Section 7: Standard offer Bid Requirements and Conditions;  
Contents of Bid

In the proposed rules on bidding procedures, we attempt to satisfy the following three basic objectives:

1. achieve the lowest possible rates for standard offer customers while encouraging multiple providers of standard offer service in each T&D service territory;
2. use a single, objective and easily comparable criteria of bid price to select among potential providers; and
3. minimize complexity in administering the process.

Subsection A of proposed section 7 contains the general requirements for the standard offer bids. Subsection A (1) and (2) each contain two alternatives: one set relates to the term of service and the other to price change restrictions. For the term of service, we describe two alternative approaches: (1) a bid required for a two-year period; and (2) bids required for

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both a two-year and a three-year period. We seek comment on which of these two alternatives (or others) we should adopt in the final rule. Specifically, commenters should discuss whether it is unlikely that an initial standard offer period should ever be longer than two years, given possible uncertainties about the first two years of restructuring, or whether it would be advantageous for the Commission to assess the possible difference in prices for two and three years. Regarding the price change restriction, the two alternatives are: (1) single fixed dollar-per-unit price for the entire period; and (2) specified dollar-per-unit prices that may change once a year over the-bid period. We seek comment on which of the alternatives is likely to result in lower standard offer prices or produce other desirable results such as price stability.

Consistent with our goal to eliminate subjective evaluation of bids, under all alternatives in section A(1) and (2), we propose that the bid prices must be -stated without using indices to eliminate variables and forecasts as factors in evaluating, standard offer bids. Nevertheless, we seek comment on an alternative approach whereby the Commission would pre-select a generally available index upon which bidders could base price changes during the term of the standard offer. we request comment on the specific advantages and'disadvantages of such an approach from the perspective of bidders and standard offer customers.

Subsection A(3) specifies that affiliates of large T&D utilities may not bid for more than 20% of the standard offer load consistent with 35-A M.R.S.A. § 3212 (2) (C) .

Subsection B sets forth the required contents of bids. Subsection B(i) requires bids to contain prices necessary to meet the obligations of standard offer service providers under section 3(B). Subsections B(2) and (3) require bidders to state prices based on the existing rate design of the T&D utility for all customer classes as is required by section 2 (A) Specifically, bids must be stated as a uniform percentage of each unbundled generation rate elements<sup>5</sup> as determined in the Commission's bill unbundling proceeding, 35-A M.R.S.A. § 3213(1). These provisions will enable the Commission to compare and evaluate proposals objectively. There will be no need or opportunity to evaluate proposals on the basis of how customers

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<sup>5</sup> For these rate classes that have discounts pursuant to pricing flexibility plans, the rate element for this purpose will be the rate element cap.

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would fare in one proposal as opposed to another. The proposed rule would not require bid prices to reflect the structure or a uniform percentage of optional, discount rate classes, or prices contained in special contracts. We seek comment on this approach generally, as well as on whether standard offer bids that track optional, non-core rates should also be required.

Subsection B(4) requires bids to be for a specified percentage of standard offer load and allows that percentage to vary in 20% increments. Permitting bids to be in 20% increments allows providers to compete for portions-of the standard offer load to encourage more than one standard offer provider for each T&D territory as required by 35-A M.R.S.A. § 3212(2).

Subsection B(5) would require each bidder to provide a certified statement from a financial institution that it will bond the bidder consistent with the provisions of this rule, or that it otherwise satisfies the requirements for financial soundness that may be required in section 3(A)(3). This requirement is a central part of our overall objective to design the bidding and selection process so that the single evaluation criterion is price. If a bidder is able ' to make the required showing, that should provide sufficient indication that the bidder will be able to perform its obligations as a standard offer provider- Bidders not able to obtain this certification would be rejected. The requirement allows the Commission to focus on the bid price, without the need for a subjective evaluation of the financial and technical capability of the bidders. We seek comment on how to ensure, on an objective basis, that the bonding financial institution will fulfill the terms of the bond.

#### Section 8: Bid Process and Selection

The proposed bid selection process is designed to be simple to administer; it requires certain events to occur on specified dates with reference to the date the Commission selects providers. First, under proposed subsection A, the Commission would establish a list of potential standard offer providers for each of the T&-D utility service territories through a wide solicitation of interest. The Commission would issue its request for standard offer bids to persons on the list, along with the standard contract described above, 120 days prior to the selection date. on that same date, the T&D utilities would provide the information required by section 6 to the interested bidders. Bidders will have 60 days to provide their bids, providing the Commission with 60 days to select a bidder for each

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service territory. We seek comment on whether the timeframes contained in the draft rule are sufficient; we are also interested in views as to whether the Legislature should consider changing the July 1, 1999 selection date contained in section 3212(2) so that it will be closer to beginning of retail access. This may allow potential providers to better assess loads and costs after March 1, 2000.

To comply with the statutory requirement of 3S-A M.R.S.A § 3212(2) that the Commission encourage at least three standard offer service providers in each T&D utility service territory if this does not result in significant adverse impacts on rates, the proposed rule specifies that the Commission would choose up to three providers within each T&D service territory as long as doing so would not increase total electric rates of standard offer customer by more than 0.5%. We seek comment on whether this proposed standard is an appropriate measure of adverse rate impact. The proposed rule limits multiple providers within each territory to three as a way to reduce the difficulty in administering the standard offer and coordinating billing, and other arrangements among the T&D utility and the providers.

We propose to allow bidders to receive their bid price; pursuant to section 2(A)(4) customers would pay a weighted average price. This approach should produce lower overall rates for standard offer customers than might occur under an alternative approach where higher bidders are given an opportunity to the match low bid. Such a process, by providing bidders with a second opportunity to match bids, may result in bids not being as low as they might otherwise be in the first instance.

#### Section 9: Failure of Standard Offer Provider to Provide Service

In the event that a selected provider fails to fulfill its obligation under this rule, the Commission would have the option of several specified actions to replace the provider in a way that minimizes the need to increase standard offer prices. The Commission has the option to ask other providers within the service territory to take over service at the defaulting provider prices; to inquire whether any other standard offer providers in the State would be willing to provide service under the defaulting providers prices; and to initiate a bid process and choose a new provider as soon as possible. In the meantime, the T&D utilities would use the revenue received from standard offer customers, that the utilities previously paid to the defaulting

provider, to pay for the energy that continues to be supplied to customers through the New England grid. We ask for comments on whether this requirement would violate the statutory prohibition on the marketing of generation service by T&D utilities. Proceeds from the defaulting standard offer provider's bonds would be used primarily to defray any additional cost of alternate energy supply so that standard offer service can be maintained without any increase in price.

### III. COMMENT PERIOD

This Rulemaking will be conducted according to the procedures set forth in 5 M.R.S.A. §§ 8051-8058. **Written comments** on the proposed rule may be filed with the Administrative Director no later than **November 24, 1997**. Please refer to the Docket Number of this proceedings Docket No. 97-739, when submitting comments.

### IV. HEARING

This Rulemaking will be conducted according to the procedures set forth in 5 M.R.S.A. §§ 8051-8058. No public hearing on this matter is presently scheduled, but one will be held if requested by any five interested persons. Persons wishing to request a public hearing on this rule must notify the Administrative Director, Public Utilities Commission, 242 State Street, 18 State House Station, Augusta, Maine 04333-0018 (telephone: (207) 287-3831), or on before November 3, 1997.

whether a hearing is held or not, a **technical conference** will be held on December 10, 1997 at 10:00 a.m. at the Commission's offices, 242 State Street, Augusta, Maine 04333 for the purpose of discussing and . asking questions about the comments that must be filed by November 24, 1997. Any person, whether that person filed a comment or not, may attend and participate in that conference.

Please notify the PUC if special accommodations are needed in order to make the technical conference (or a hearing, if one is held) accessible to you by calling 1-287-1396 **or** TTY 1-800-437-1220. Requests for reasonable accommodations must be received 48 hours before the scheduled event.--

### V. FISCAL AND ECONOMIC EFFECTS

In accordance with 5 M.R.S.A. § 8057-A(1), the fiscal impact

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of the proposed rule is expected to be minimal. The Commission invites all interested parties to comment on the **fiscal** impact and all other implications of this proposed rule.

## VI. SERVICE

The Administrative Director shall send copies of this Order and the attached rule:

1. All electric utilities in the State;
2. All persons who have filed with the Commission within the past year a written request for Notice of Rulemaking;
3. All persons listed on the Commission's list of persons who wish to receive notice of all electric restructuring proceedings;
4. All persons listed on the service list or who filed comments in the *Inquiry, Public Utilities Commission, Inquiry into Terms and Conditions for Standard-Offer Service and the Selection of Standard-offer Providers*, Docket No. 97-519;
5. The Secretary of State for publication in accordance with 5 M.R.S.A. § 8053(5); and
6. Executive Director of the Legislative Council, State House Station 115, Augusta, Maine 04333 (20 copies).

By law, the Commission must conclude this rulemaking proceeding and adopt a provisional rule by February 15, 1998.

Accordingly, it is

## O R D E R E D

1. That the Administrative Director send copies of this Order and the attached proposed rule to all the persons listed above and compile a service list of all such persons and any persons submitting written comments on the proposed Rule.



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2. That the Administrative Director send a copy of the Order Commencing Rulemaking Proceeding to the Secretary of State for publication in accordance with 5 M.R.S.A. § 8053.

Dated at Augusta, Maine this 30th day of September, 1997.

BY ORDER OF THE COMMISSION

Dennis L. Keschl  
Administrative Director

COMMISSIONERS VOTING FOR:      Welch  
   Nugent  
   Hunt